

## Message Text

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ACTION IO-13

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TO SECSTATE WASHDC 1467

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E.O. 11652: N/A

TAGS: WMO

SUBJECT: WMO TAX REIMBURSEMENT AGREEMENTS

REF: STATE 167350

1. WMO REGRETS DELAY IN RESPONDING TO DEPARTMENT'S PROPOSALS COMMUNICATED TO IT SOME WEEKS AGO. EARLIER TENTATIVE ACCEPTANCE OF US PROPSALS HAS BEEN RE-EXAMINED IN ADMINISTRATIVE DEPARTMENT, WHICH HAS REVEALED SEVERAL PROBLEMS WITH RESPECT TO VOLUNTARY FUNDS. IN INFORMAL TALKS WITH MISSION OFFICERS, WMO SECRETARIAT POINTS OUT FOLLOWING PROBLEMS, WHICH THEY FEEL SHOULD BE EXAMINED BY DEPARTMENT BEFORE ACCEPTANCE OF THE TAX REIMBURSEMENT AGREEMENT.

2. FIRST DIFFICULTY IS IN DEFINITION OF VOLUNTARY FUNDS.

IN SECRETARIAT'S VIEW, UNDP FUNDS SHOULD NOT BE CONSIDERED AS VOLUNTARY, SINCE THEY ARE OPERATED WITH PERMANENT STAFF ON DEFINED BUDGET APPROVED BY WMO EXCOM. ALSO, IN PRESENT UNDP FINANCIAL RESTRICTIONS, SHORTFALLS IN REIMBURSEMENTS BY UNDP FOR SALARY COSTS ARE MADE UP FROM WMO REGULAR BUDGET.

3. THE GARP IMPLEMENTATION FUND RESULTS FROM MATCHING CONTRIBUTIONS FROM ICSU AND WMO. THE WMO CONTRIBUTION IS PART OF REGULAR BUDGET AND IS SUPPLEMENTED BY ADDITIONAL ALLOCATIONS, PRIMARILY FOR STAFF PURPOSES. THUS, THE AGREEMENT SHOULD BE MODIFIED TO

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INDICATE THAT IT DOES NOT COVER EMPLOYEES PAID

ENTIRELY FROM VOLUNTARY FUNDS.

4. THE WMO VOLUNTARY ASSISTANCE PROGRAM (VAP) CASH PART IS CLEARLY A VOLUNTARY FUND WHICH WOULD BE EXCEPTED FROM THE AGREEMENTS. HOWEVER, THERE ARE LIKELY TO BE AMERICAN EMPLOYEES WORKING UNDER THIS PROGRAM FOR WHOM TAX REIMBURSEMENTS WILL BE REQUIRED. THE SECRETARY SUGGESTS THAT APPROPRIATE PROCEDURE WOULD BE TO MAKE DEDUCTIONS DIRECTLY FROM THE U.S. CONTRIBUTION TO FUND, WHICH CARRIES ADMINISTRATIVE COSTS FOR USE OF FUND.

5. FUNDS IN TRUST, WHILE VOLUNTARY, NORMALLY COVER ADMINISTRATIVE COSTS AS PART OF ARRANGEMENT BETWEEN DONOR AND WMO. THESE FUNDS ARE MORE COMPLICATED TO DEAL WITH. ONE SUGGESTION IS TO APPLY CONCEPT OF GROSS SALARIES TO EMPLOYEES WORKING UNDER THESE FUNDS. THIS SOLUTION INTRODUCES SOME INEQUITIES WITH OTHER STAFF MEMBERS WHICH WMO WOULD NOT LIKE TO FACE. ON OTHER HAND, THEY FEEL IT IS IMPORTANT TO BE ABLE TO HIRE AMERICANS UNDER THESE FUND PROJECTS AND WELCOME SUGGESTIONS AS TO OTHER ARRANGEMENTS. THEY POINT TO THE SAHEL PROGRAM AS AN EXAMPLE OF DIFFICULTY. UNDER THIS PROGRAM, US FUNDS ARE DEDICATED PRIMARILY TO PURCHASE OF EQUIPMENT AND PROVISION OF TECHNICAL SERVICES, WHEREAS FUNDS PROVIDED BY THE NETHERLANDS ARE BEING USED TO COVER ADMINISTRATIVE COSTS. IT IS CLEAR THAT IT WOULD BE INAPPROPRIATE TO USE NETHERLANDS FUNDS FOR REIMBURSEMENT OF INCOME TAX COSTS TO AMERICANS WORKING UNDER THIS PROGRAM. SAME LIMITATION WOULD APPLY TO NEW FUNDS IN TRUST BETWEEN ALGERIA AND WMO, SHOULD AMERICAN EXPERTS BE EMPLOYED FOR THIS PROGRAM.

6. SINCE SIMILAR PROBLEMS HAVE NO DOUBT ARISEN WITH RESPECT TO OTHER ORGANIZATIONS WHERE TAX REIMBURSEMENT AGREEMENTS EXIST, SECRETARIAT WOULD WELCOME COMMENTS AND SUGGESTIONS FROM DEPARTMENT BEFORE PROCEEDING FURTHER ON MORE FORMAL BASIS WITH PROPOSED AGREEMENT. ABRAMS

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